

**STATUS REPORT
OF THE
PROPERTY TAX REPLACEMENT
STUDY COMMISSION**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789**

July, 2004

Property Tax Replacement Study Commission

Membership Roster

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Vincennes**

**Reprepresentative Eric Turner
Marion**

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**Senator Lindel Hume
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**Bob Bond, Attorney
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STATUS REPORT

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I. STATUTORY DIRECTIVE

The Indiana General Assembly enacted legislation (P.L. 64-2004) directing the Commission to study the following proposals:

- (1) Eliminating approximately fifty percent (50%) of net property tax levies;
- (2) Eliminating approximately seventy-five percent (75%) of net property tax levies;
- (3) Eliminating approximately one hundred percent (100%) of net property tax levies.

The legislation also required that the Commission to identify revenue sources capable of replacing property taxes and providing sufficient revenue to maintain essential government services.

II. INTRODUCTION

The Commission has met three times during the 2004 interim session on April 27th, May 17th, and June 18th. The minutes from these three meetings are attached to this report. At these meetings the Commission has received reports and testimony regarding:

- (1) The status of reassessment.
- (2) Compilation of parcel level data and tax shift analysis by Legislative Services Agency.
- (3) Legal issues regarding the elimination of property taxes.
- (4) The Indiana Fiscal Policy Institute's ongoing Property Tax Equalization Study.
- (5) The impact on sales and income tax rates for various levels of replacement of property tax levies.

The Commission also established 5 working groups that have met and are developing information relating to specific tax and administrative cost issues. The working groups and a general description their work are as follows:

- (1) Property Tax Administrative Issues - estimating the cost of reassessment and the continuing cost of the assessment system.
- (2) Local Government Services - investigating models (i.e. interlocal cooperative agreements) that might be employed to reduce cost of government services.
- (3) Long Term Debt Issues - investigating the potential impact of changing debt service funding from property tax to an alternative revenue source.
- (4) Other Tax Systems - investigating tax structures and tax relief mechanisms used by other states, in particular, surrounding states.
- (5) Property Tax Levies and Controls - investigate the different sources of replacement revenue and implications of using these sources to replace property taxes.

Meeting minutes for the Commission can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.